

Internal Revenue Service  
Tax-Exempt & Government Entities Division  
Office of Exempt Organizations  
Draft Form 990 Redesign Project – Schedule G  
June 14, 2007

**Rationale**

While gaming and fundraising continue to be vital to the economic well-being of many tax-exempt organizations, the Service finds continuing noncompliance in these areas. Therefore, the Service's Exempt Organizations Examinations function continues to monitor these activities. In addition, there are continuing and increasing concerns about the lack of transparency concerning fundraising activities, particularly regarding how much of each dollar given by a donor in good faith is actually provided to a charity for charitable work. As a result of these concerns, the Service requests additional information on fundraising and gaming activities on Schedule G.

**Overview**

The 2006 Form 990, Lines 9a through 9c requests the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise. The instructions also request that a schedule be attached listing the three largest fundraising events, as measured by gross receipts, and includes a description of what information should be provided in the schedule.

- The Form 990 redesign, Part IV, Statement of Revenue, lines 11a through 11c requests the same financial information as currently required.
- Schedule G is designed to replace the attachment in the 2006 Form 990 by providing the tables and questions to elicit information from the organization about professional fundraising, events and gaming activities.
- Schedule G, Part I requests information regarding fundraising activities generally including professional fundraising to be reported in a table detailing the amount of proceeds retained by the organization and the amount paid out to the professional fundraiser.
- Schedule G, Parts II and III include the required schedules in tabular format for events (dinner/dances, carnivals, etc.) and gaming (bingo, pull-tabs, etc.) respectively.
- Schedule G, Part III lines 9a through 15b requests additional information regarding gaming activities addressing the following: backup withholding, reporting of compensation to workers, unit accounting, promoters, gaming operations, and state law required distributions of proceeds

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## 20XX Instructions for Schedule G

### Who Must File

Organizations that enter \$10,000 or more on Form 990, Part IV, line 11a **or** enter \$10,000 or more on Form 990, Part V, line 11 must complete and attach Schedule G to Form 990.

If the organization is not required to file Form 990, it is not required to file Schedule G.

For more information, see *Gaming Publication for Tax-Exempt Organizations*, Pub. 3079 (4-98).

### Period Covered

The filing organization's Schedule G covers the same period as the Form 990 with which it is filed.

## PART I FUNDRAISING ACTIVITIES

**Line 1b** Do not include officers, directors, trustees or key employees who conduct fundraising activities in their capacity as an officer, director, trustee or key employee of the organization, such as a development officer.

**Col (iii)** Enter the gross receipts that the fundraiser listed in (i) collected on behalf of the organization or in connection with the fundraising activity of the organization.

**Col (iv)** Indicate the dollar amount in fees paid to or fees withheld by the fundraiser for its services.

**Col (v)** Subtract column (iv) from column (iii)

**TIP:** Enter the total amounts from columns (iii), (iv) and (v) on Form 990, Part I, line 26 columns (i), (ii) and (iii) respectively.

**Line 3** List all states and jurisdictions in which the organization is authorized to conduct fundraising. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

## PART II EVENTS

Events include dinners/dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, and casino nights that are not regularly carried on. Events do not include sales of gifts of goods or services of only nominal value, sweepstakes, lotteries or raffles where the names of contributors or other respondents are entered in a drawing for prizes, raffle or lotteries where prizes have only nominal value or solicitation campaigns that generate only contributions.

Complete the table listing the two largest events as measured by gross receipts in columns (a) and (b) by listing the type of event. In column (c), report the total number of other events that occurred. For each column, enter the gross receipts, contributions included in gross receipts, gross revenue (gross receipts less contributions), direct expenses, and net income or (loss) (gross revenue less direct expenses).

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**Line 1. Gross Receipts.** Enter the total amount the organization received from events during its annual accounting period, without subtracting any costs or expenses. Report the sum of columns (a), (b) and (c) in column (d).

**Line 2, Column (d). Charitable Contributions.** Enter the total amount of contributions, gifts and similar amounts received by the organization, including the total value of non-cash contributions from events. Report the sum of columns (a), (b) and (c) in column (d).

**Line 3. Gross Revenue.** Enter the gross revenue (gross receipts less contributions) from events listed without reduction for cash or non-cash prizes, cost of goods sold, compensation, fees, or other expenses. Report the sum of columns (a), (b) and (c) in column (d).

**Direct Expense Items**

Enter the expense amount in the appropriate column (a through c) for each event conducted. Report the sum of columns (a), (b) and (c) in column (d).

**Line 4.** Enter the total amount paid out as cash prizes.

**Line 5. Non-cash Prizes**

Enter the fair market value of the items paid out as non-cash prizes.

**Line 6. Rent/Facility Costs**

Enter the expenses paid or incurred for the rent or lease of property or facilities.

**Line 7. Other Direct Expenses**

Enter the amount of other direct expense items not included on lines 4 through 6 of Part II. The organization should retain in its records a schedule providing an itemized listing of all other direct expenses not included on lines 4 through 6. For **Labor Costs and Wages**, include the total amount of compensation paid to special event workers or paid to independent contractors for labor costs.

**PART III - GAMING**

**Gaming** includes (but is not limited to): bingo, pull tabs/instant bingo (including satellite and progressive bingo), raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

**Column (a) Bingo.** Defined as a game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a pre-selected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the pre-selected pattern wins the game. To be a "bingo" game, the game must be of the type described in which wagers are placed, winners are determined, and prizes or other property are distributed in the presence of all persons placing wagers in that game.

**Column (b) Pull-tabs/Instant Bingo.** Includes games in which an individual places a wager by purchasing preprinted cards that are covered with pull-tabs. Winners are revealed when the individual pulls back the sealed tabs on the front of the card and compares the patterns under the tabs with the winning patterns preprinted on the back of the card. Included in the definition of

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pull-tabs are “instant bingo,” “mini bingo,” and other similar scratch-off cards. **Satellite, Internet and Progressive bingo** are games conducted in many different places simultaneously and the winners are not all present when the wagers are placed, the winners are determined and the prizes are distributed. Revenue and expenses associated with satellite, internet and progressive bingo should be included under this category. However, certain consolation bingo games within a progressive bingo game should be included in column (a) Bingo.

**Column (c) Other Gaming.** Includes all other types of gaming not included in columns (a) or (b).

Complete the table for each type of gaming conducted (columns (a) through (c)), report the gross revenue (gross receipts less contributions), direct expenses, and net income or (loss) (gross revenue less direct expenses).

**Line 1. Gross Revenue.** Enter the amount of gross revenue from gaming activities for each type of gaming conducted without reduction for cash or non-cash prizes, cost of goods sold, compensation, fees, or other expenses. Report the sum of columns (a) through (c) in column (d).

**Direct Expense Items**

Enter the expense amount in the appropriate column ((a) through (c)) for each type of gaming conducted. Report the sum of columns (a) through (c) in column (d).

**Line 2. Cash Prizes**

Enter the total amount paid out as cash prizes.

**Line 3. Noncash Prizes**

Enter the fair market value of the items paid out as noncash prizes.

**Line 4. Rent/Facility Costs**

Enter the expenses paid or incurred for the rent or lease of property or facilities.

**Line 5. Other Direct Expenses**

Enter the amount of other direct expense items not included on lines 2 through 4. The organization should retain in its records a schedule providing an itemized listing of all other direct expenses not included on lines 2 through 4. For **Labor Costs and Wages**, include the total amount of compensation paid to gaming workers or paid to independent contractors for labor costs. For **Employment Taxes**, include the amount of federal, state, and local payroll taxes paid for the year associated with gaming workers but only those that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, the Federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Do not include taxes withheld from the employees' salaries and paid to various governmental units such as federal and state income taxes and the employees' share of social security and Medicare taxes.

Gaming operations may involve different types of gaming workers: compensated employees, independent contractors, and volunteers. If gaming workers are compensated, whether by the organization or by patron tips, the organization is responsible for filing and paying employment taxes. In addition to gaming workers, the organization may have other individuals that should be treated as employees, such as security watchmen, snack bar workers or janitors. Generally, if the organization has the right to control the worker, he or she is an employee of the organization and should be treated as such. For **Excise Taxes**, include the amount of excise taxes paid for the year. Gaming activities may be subject to a wagering excise tax (imposed on the amount of the wager; see *Form 730, Tax on Wagering*) and an occupational tax (imposed on the persons

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engaged in receiving wagers; see *Form 11C, Occupational Tax and Registration Return for Wagering*).

In general, the taxes on wagering apply to: wagers on sports events or contests placed with a person in the business of accepting such wagers; placed in a wagering pool on a sports event or contest if the pool is conducted for profit; or placed in a lottery conducted for profit. The term “for profit” in this context means for the purpose of raising funds. **Pull-tabs, Raffles and Tip Jars** meet the definition of taxable wagers placed in a lottery. **Bingo** games (not Instant Bingo) are specifically excluded from the application of the wagering excise tax. Also excepted are drawings by organizations exempt under section 501(a), if no part of the net earnings inures to the benefit of any private shareholder or individual.

The occupational or stamp tax is an annual fee imposed on each person liable for the tax on wagers, or on any person who receives wagers for or on behalf of any person so liable.

**Line 6. Volunteer Labor.**

If the organization uses volunteer labor where substantially all of the work is performed without compensation to conduct gaming, check “yes” and enter the percentage of total labor performed by volunteers. The percentage is determined by comparing the number of individuals who receive direct compensation for their services provided in the conduct of the gaming activity with the total number of workers used by the organization, both paid and unpaid. “Compensation” includes tips and non-cash benefits. See *Publication 594, Tax on Unrelated Business Income of Exempt Organizations* for additional information.

**Line 8, column (d). Net Gaming Income.**

Enter the difference between lines 1 and 7. If line 7 is more than line 1, enter the difference in parentheses.

**TIP:** Enter the amounts from line 1, column (d), line 7 and line 8 on Form 990, Part I, line 25 columns (i), (ii), and (iii) respectively.

**Line 9a.** Proper identification is a taxpayer identification number. Use *Form W-9, Request for Taxpayer Identification Number and Certification*, to obtain the identification number of the prize winner.

**Line 9b.** See the instructions for *Forms W-2G* for detailed rules on backup withholding.

**Line 13.** There are several types of organizations whose exempt function includes providing social and recreational activities for members and their bona fide guests. These organizations include social clubs described in section 501(c)(7), fraternal beneficiary societies described in section 501(c)(8), domestic fraternal societies described in section 501(c)(10), and veterans’ organizations described in section 501(c)(19). Gaming activities involving only members directly further exempt social/recreational purposes under these sections. A “nonmember” is an individual who is not a member of the organization but who participates in recreational activities sponsored by the organization or receives services or goods from the organization and pays for the services or goods received. Such an individual, even when accompanied by a member, is generally considered to be the principal in a business transaction with the organization. Gaming open to the general public may result in unrelated business income tax (UBIT) or adversely affect exempt status. If the organization conducts gaming with nonmembers, check the appropriate box.

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**Line 14.** For purposes of this question, partnership or other entity, such as a “unit” means two or more organizations that are authorized under state law to conduct bingo or other gaming at the same location joining together to share revenues, authorized expenses, and inventory related to bingo and gaming operations.

**Line 18.** Complete this line for the person who has overall supervision and management of the gaming operation. Generally, this person is responsible for the duties of record keeping, money counting, hiring and firing of workers and making the bank deposits for the gaming operation.